

Message Text

CONFIDENTIAL

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FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 3269

C O N F I D E N T I A L BUDAPEST 1491

E.O. 11652: GDS

TAGS: EFIN, HU

SUBJ: RESULTS OF KREUTHALL'S DISCUSSIONS WITH HUNGARIANS

1. KREUTHALL REPRESENTATIVES WHITING AND HORN SPENT WEEK OF MAY 12 IN BUDAPEST CONFERRING WITH MINISTRY OF FINANCE OFFICIALS IN EFFORT TO REACH SETTLEMENT OF \$23.8 MILLION

WORTH OF HUNGARIAN LAND REFORM BONDS HELD BY KREUTHALL. WHILE NO SETTLEMENT WAS REACHED, KREUTHALL REPS SAID THEY LEFT BUDAPEST FEELING THAT TALKS PRODUCTIVE AND AGREED TO MEET KREUTHALL MADE INITIAL OFFER TO SETTLE OUTSTANDING CLAIMS IN RETURN FOR PAYMENT OF \$3 MILLION CASH WHILE HUNGARIANS COUNTERED WITH OFFER OF ONE-HALF MILLION. HORN TOLD EMBASSY THAT KREUTHALL IS SEEKING FORMULA SIMILAR TO THAT WORKED OUT WITH HUNGARIANS BY FOREIGN BONDHOLDERS PROTECTIVE COUNCIL BUT WOULD SETTLE FOR A SOMEWHAT LOWER PERCENTAGE THAN THAT OBTAINED BY WOODS IN RETURN FOR A FASTER PAY OUT.

2. COMMENT: KREUTHALL WILL DO VERY WELL INDEED IF IT IS ABLE TO MATCH SETTLEMENT REACHED BY WOODS. HUNGARIANS, WHILE ACKNOWLEDGING DEBT TO KREUTHALL, HAVE REPEATEDLY INDICATED THAT THEY REGARD KREUTHALL AS A "SPECIAL CASE" AND THAT ANY SETTLEMENT REACHED WITH KREUTHALL WOULD BE SIGNIFICANTLY LESS ADVANTAGEOUS THAN THAT CONCLUDED WITH BONDHOLDERS REPRESENTED BY THE PROTECTIVE COUNCIL.
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Margaret P. Grafeld
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